

Message Text

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ACTION EUR-12

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POUCH ALL CANADIAN CONSULATES FOR INFO

E.O. 11652: N/A

TAGS: ENRG CA

SUBJECT: ENERGY: PRESS REACTION TO NEB OIL SUPPLY AND EXPORT REPORT

1. CANADIAN PRESS OF NOVEMBER 23 AND 25 CONTAINS PLETHORA OF ARTICLES ON NATIONAL ENERGY BOARD OIL SUPPLY REPORT AND ENERGY MINISTER MACDONALD'S "POLICY" STATEMENT ACCOMPANYING PUBLIC RELEASE OF DOCUMENT ON NOVEMBER 22. WHILE CRITICAL ASPECT OF REPORT IS THAT BY EARLY 1980'S, GIVE OR TAKE SOME MONTHS DEPENDING ON RATE OF EXPORTS, CANADA WILL FALL INTO DEFICIT OIL SUPPLY POSITION, NEWS REPORTERS ARE OVERWHELMINGLY PRE-OCCUPIED WITH SCHEDULE FOR REDUCTION OF OIL EXPORTS TO THE U.S. PRESS GENERALLY MISSES KEY NEB CONCLUSION THAT GIVEN SUFFICIENT LEAD TIME AND "PROPER ECONOMIC INCENTIVES" TO CONVERT KNOWN RESOURCES, SUCH AND OIL SANDS, HEAVY OILS AND INFERRED OR POTENTIAL RESOURCES IN FRONTIER AREA, "THERE IS GOOD PROSPECT THAT CANADA COULD BECOME SELF-SUFFICIENT IN ENERGY FOR A LONG PERIOD." BOTH ALBERTA'S PREMIER LOUGHEED AND PROGRESSIVE CONSERVATIVE ENERGY SPOKES-MAN(IN COMMONS STATEMENT OF NOVEMBER 22) HAVE PICKED

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THIS PITCH UP AND CRITICALLY FAULT THE GOVERNMENT FOR

FEDERAL MEASURES (SUCH AS BUDGET TAXATION PROPOSALS) WHICH WORK AGAINST A HEALTHY RESOURCES INDUSTRY. LOUGHEED IN QUOTED AS SAYING THAT "THE KEY IS THAT THERE WILL BE AN ENERGY SHORTAGE IN CANADA NO MATTER WHAT WE DO WITH EXPORTS."

2. TORONTO STAR EDITORIAL OF NOVEMBER 23 STATES FLATLY THAT MACDONALD'S OIL POLICY ANNOUNCEMENT "OF PHASING OUT EXPORTS TO THE U.S. AND JAWBONING CANADIANS INTO A NEW ENERGY CONSERVATION ETHIC IS NOT A POLICY AT ALL." EDITORIAL CALLS FOR NEW LEADERSHIP AND STATES, BEGIN QUOTE. OTTAWA'S LATEST TWITCH, DRESSED UP AS A BRAND NEW POLICY, DOESN'T BEGIN TO ANSWER THESE QUESTIONS. NOT ONLY IS THERE NO POSITIVE GOVERNMENT POLICY TO ENCOURAGE AND CO-ORDINATE THE ORDERLY DEVELOPMENT OF CANADA'S ENERGY RESOURCES, THERE IS IN EFFECT AN APPARENT POLICY AIMED AT JUST THE OPPOSITE. THE FEDERAL-PROVINCIAL STRUGGLE FOR SUPREMACY IN THE RESOURCE TAXATION FIELD IS SQUEEZING PETROLEUM COMPANIES SO HARD THEY MAY NOT FEEL INCLINED TO DO ANY NEW EXPLORATION AND DEVELOPMENT, LET ALONE THE MASSIVE AMOUNTS THAT ARE NEEDED.

INSTEAD OF A POLICY, WE'RE OFFERED A SLICK, \$1 MILLION ADVERTISING CAMPAIGN DESIGNED TO ENCOURAGE CANADIANS TO BE MORE FRUGAL IN THEIR USE OF ENERGY. IT WON'T WORK. IF THE GOVERNMENT WERE SERIOUS ABOUT STRETCHING THE LIFE OF RELATIVELY CHEAP EXISTING RESERVES, IT WOULD INTRODUCE A GASOLINE TAX, OR ORDER LOWER SPEED LIMITS.

THE SECOND PART OF THE NEW NON-POLICY IS A CALCULATED RISK. BY REDUCING EXPORTS TO THE U.S. WE ARE FLIRTING WITH RETALIATION FROM A COUNTRY WELL PLACED TO DO SO.

OUT OF EXPEDIENCY, OTTAWA SEEMS TO HAVE FORGOTTEN THAT WE ACTIVELY COURTED AMERICAN CAPITAL TO DEVELOP OUR PETROLEUM INDUSTRY. ONLY A FEW SHORT YEARS AGO, UNCLASSIFIED

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WE WERE COMPLAINING ABOUT U.S. QUOTAS ON CANADAIN OIL EXPORTS. NOW - ABRUPTLY - WE'RE TELLING THEM THAT NEXT YEAR WE'RE REDUCING THE OIL WE SEND THEM BY MORE THAN ONE-QUARTER.

THAT BLOW MIGHT BE EASED SOMEWHAT IF AMERICANS WERE CONVINCED THAT CANADIANS WERE PREPARED TO DO SOME REAL BELT-TIGHTENING. BUT WE'RE NOT. WE'RE

SIMPLY CUTTING THEM OFF SO THAT WE'LL HAVE A FEW
MORE YEARS TO SQUANDER THE OIL RESERVES OURSELVES.
END QUOTE.

3. RUSS MONRO (GLOBE AND MAIL OF NOVEMBER 25) WRITES
THAT U.S. OFFICIALS HAVE REACTED TO GOC ANNOUNCEMENT
WITH MIXTURE OF DISAPPOINTMENT, CONCERN AND RESIG-
NATION. HE STATES THAT THE "CONCERN" IS MOSTLY ABOUT
CRUNCH IN 1978 WHEN CANADAIN OIL EXPORTS WILL FALL
BELOW REQUIREMENTS OF U.S. NORTHERN TIER REFINERIES.
HE ALSO REPORTS THAT ONE U.S. OFFICIAL, SPEAKING
UNOFFICIALLY, EXPRESSED HOPE THAT OIL EXPORTS TO U.S.
MIDWESTT COULD CONTINUE INDEFINITELY BY MEANS OF OIL
SWAPS WHEREBY U.S. WOULD UNDERTAKE TO SUPPLY BRITISH
COLUMBIA NEEDS. MONRO OPINES THAT OIL HAS NOW JOINED
BEEF AS A INEVITABLE FORD-TRUDEAU TOPIC OF DISCUSSION
NEXT WEEK.

4. IN TORONTO STAR ARTICLE (BRUCE GARVEY) OF NOVEMBER
23, A STATE DEPARTMENT SOPKESMAN IS QUOTED AS STATING
THAT "WE HAVE RECOGNIZED FOR SOME TIME THAT CANADA'S
RESOURCES ARE DECLINING AND OTTAWA KEPT US FULLY
INFORMED. THERE WAS GOOD CONSULTATION WHICH HELPED
A LOT AND THERE WON'T BE ANY FLAP ABOUT IT."

5. WITH REGARD TO U.S. NORTHERN TIER REFINERIES,
NOVEMBER 23 GLOBE AND MAIL CARRIES QUOTE BY MURPHY
OIL PRESIDENT SWEENEY THAT "WE HAVE REASON TO BELIEVE
THAT THE CANADIAN GOVERNMENT WILL LOOK FAVORABLY ON
THEM," HE SAID THAT HIS OPTIMISM IS BASED ON PAST
STATEMENTS BY MACDONALD BUT, EVEN SO, "WE WILL
PROBABLY SUBMIT A PLEA PAINTING THE PICTURE OF OUR
SITUATION.

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